



1995-1996 Biennial Report

N.C. Department of Insurance

DOCUMENTS
DEPARTMENT OF INSURANCE

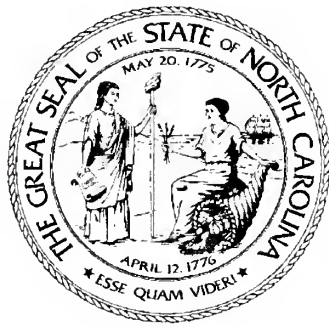
AUG 14 1997

STATE DEPT. OF NORTH CAROLINA
Raleigh

Jim Long
Insurance Commissioner

Table of Contents

Department of Insurance Mission Statement	3
Ensuring Safety and Equity for North Carolinians	5
Company Services Group	7
Financial Evaluation Division	7
Actuarial Services Division	12
Information Systems Division	13
Administrative Supervision Division	14
Estate Operations Division	15
Technical Services Group	17
Property and Casualty Division	18
Life and Health Division	23
Seniors' Health Insurance Information Program	25
Market Examinations Division	26
Managed Care and Health Benefits Division	26
Public Services Group	29
Consumer Services Division	29
Agent Services Division	30
Investigations Division	32
Special Services Division	34
Office of the General Counsel	39
Safety Services Group	43
Engineering Division	44
Manufactured Building Division	46
State Property Fire Insurance Fund	47
Fire and Rescue Services Division	48
North Carolina Code Officials Qualifications Board	51
North Carolina Building Code Council	52
North Carolina Fire and Rescue Commission	53
North Carolina Home Inspectors Licensure Board	54
North Carolina Manufactured Housing Board	55
Public Officers and Employees Liability Insurance Commission	56



Department of Insurance

Mission Statement

The North Carolina Department of Insurance serves the citizens of North Carolina through consumer protection and education, safety training and promotion, and regulation of specified activities and industries.

This is accomplished by:

- Assuring an optimum marketplace in which consumers can readily purchase fairly-priced insurance products from sound, responsive entities;
- Educating the public in loss prevention, safety awareness and developing life safety standards;
- Maintaining a well-managed, fiscally-responsible organization staffed by knowledgeable, courteous, professional employees.

At all times, the affairs of the department are conducted in an open, ethical manner and in the best interests of the public.



Ensuring Safety and Equity for North Carolinians

The Department of Insurance continued to be a strong advocate for North Carolina consumers during the 1995-96 biennium on issues ranging from auto rates to fire safety.

Department staff worked long and hard to keep auto insurance rates reasonable. North Carolinians currently pay the lowest auto insurance rates of any state east of the Mississippi River, and yet still enjoy a thriving market of financially-sound insurance companies eager to do business in our state.

In December 1996, the North Carolina Court of Appeals issued its decision on the 1994 auto insurance rate filing—a decision which unanimously confirmed the commissioner's authority to set rates and supported his ratemaking approach. By the close of 1996, it was unknown whether the industry would pursue further appeals. If the Court of Appeals' decision becomes final, the commissioner will order consumer refunds totaling millions of dollars.

The department continued to work to lower insurance rates through traffic safety and injury-prevention programs. The department and Commissioner Long played a pivotal role in the success of the *Click It or Ticket* and *Booze It & Lose It* programs.

Over the past two years, the *Click It or Ticket* program has reduced fatalities and serious injuries by 12 percent, resulting in a savings of \$164 million in health care costs. Also, in two recent rate filings from the auto insurance industry, savings of more than \$33 million in auto insurance premiums were attributed to *Click It or Ticket*.

The *Booze It & Lose It* program is having similar success. Numbers gathered at North Carolina checkpoints indicate that we've cut late night drunk driving in half and reduced DWI-related fatalities by 20 percent. Together, these programs are saving lives, preventing injuries, and helping reduce the high medical costs of auto crashes.



*Insurance Commissioner
Jim Long*

The department's in-house safety programs also have been very busy during the biennium. The Buckle Up Kids program is active in 57 counties and has distributed more than 2,100 child safety seats through local fire/rescue agencies. The Learn Not to Burn program provides fire safety education to more than 90,000 fourth graders annually. A new program was added in 1996—the NC SAFE KIDS coalition is one of 250 local and state groups dedicated to childhood injury prevention.

The department has been a leader in anti-fraud efforts since establishing the first investigations bureau within an insurance department in 1945. In 1996, the Investigations Division helped to obtain a \$187 million settlement in the largest criminal health care fraud case in North Carolina history. The case against this medical laboratory was investigated jointly by state and federal law enforcement agencies and was the third-largest criminal health care fraud case in the nation.

Investigators from the Special Services Division also concluded two record-breaking cases this biennium. A \$250,000 fine levied against one collection agency is the largest ever assessed by the division. The owner of another collection agency pled guilty to 45 counts of embezzlement totaling nearly \$400,000. He is currently serving a 21-year active sentence—the longest sentence ever ordered by the courts as a result of a criminal investigation conducted by the division. One of the division's investigators received the Governor's Award for Excellence in 1995, in part for his work on this case.

The 1995-96 biennium marked a period of great change in the health insurance industry. New federal legislation and the growth of managed care pose challenges for regulators and consumers.

The Life and Health Division has prepared legislation which brings North Carolina law into compliance with the federal Health Insurance Portability and Accountability Act of 1996, sponsored by Senators Kassebaum and Kennedy. The act requires states to conform their statutes to the new law or risk federal management of health insurance. The legislation prepared by the division is expected to be introduced during the 1997 session of the General Assembly.

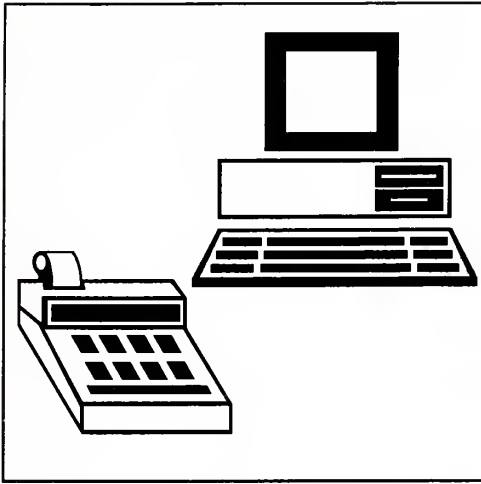
The Managed Care and Health Benefits Division has developed a status report on health maintenance organizations in North Carolina. The report provides a snapshot of the current HMO industry in the state and a detailed analysis of HMO activity in 1995. The report is intended to give legislators, regulators and citizens a better understanding of the health care environment in North Carolina.

The following report explains in detail how each group, division, and unit within the department contributes to the overall mission of the NC Department of Insurance.



Digitized by the Internet Archive
in 2013

<http://archive.org/details/biennialreport1995nort>



Company Services Group

The Company Services Group consists of five divisions: Financial Evaluation, Actuarial Services, Information Systems, Administrative Supervision, and Estate Operations.

The Financial Evaluation Division monitors the solvency of insurance companies; reviews admission of out-of-state, domestic, and surplus lines companies seeking to do business in the state; and audits domestic and foreign insurance organizations.

The Actuarial Services Division assists in the review of rate, form, and statistical filings. The division also conducts actuarial studies for financial evaluation work and is involved in special projects and studies.

The Information Systems Division manages the department's information technological resources, which include data processing, word processing, office automation, data communications and voice communications.

The Administrative Supervision Division monitors the financial condition and operations of domestic insurance companies to determine whether a troubled entity can be prevented from going into formal delinquency proceedings by returning the insurer to sound financial condition and good business practices.

The Estate Operations Division works closely with the Administrative Supervision Division to evaluate the necessity of instituting formal delinquency proceedings and to provide guidance to troubled insurers after leaving administrative supervision.

Financial Evaluation Division

The Financial Evaluation Division is comprised of the Company Admissions Section, Financial Compliance Section, Field Audit Section, Self-Insured Workers Compensation Section, and the Continuing Care Retirement Communities Section. The division regulates managing general agents and accredited reinsurers, and ensures compliance with many new solvency-related laws.

The division is currently working toward accomplishing the following goals and objectives:

- Continue to respond to the National Association of Insurance Commissioners Interim Annual Review in order to enable the department to maintain its accreditation, which was just re-awarded for five years, by this national regulatory oversight board.
- Finalize additional financial solvency laws necessary to maintain the department's accreditation with the National Association of Insurance Commissioners for introduction in the 1997 Legislative Session
- Evaluate the adequacy and appropriateness of other insurance laws administered by the division prior to the 1997 Legislative Session.
- Re-engineer the Field Audit Section.

Company Admissions Section

The primary responsibility of this section is the review and evaluation of the financial condition of insurance companies applying for initial licensing, eligibility or registration to transact insurance business in North Carolina.

It is important that insurance entities meeting or exceeding the minimum requirements be licensed or authorized so that adequate markets and competition are available to North Carolina insurance consumers. It is equally important that each entity not meeting the minimum requirements be denied a license or certificate of authority in order to protect North Carolina insurance consumers from potential insurance problems.

In 1995-1996 insurance companies continued to demonstrate considerable interest in companies seeking authority to transact business in North Carolina. During the last two years, 95 new applications were received.

A total of 76 insurance entities were qualified and received initial certificates of authority during the biennium, including the formation of one new North Carolina domestic insurance company.

This section has been responsible since 1985 for the initial review of insurance companies applying for eligibility for the placement of surplus lines business. A list of eligible companies is produced and distributed to North Carolina surplus lines brokers monthly. The surplus lines market represents insurance products that are not readily available to consumers through licensed companies. The statutory requirements for surplus lines eligibility were strengthened during 1991, 1992, and 1993.

During 1995-1996, this section received and reviewed 17 filings for surplus lines eligibility. Thirteen new companies were found to qualify and were added to the list. There were 23 companies deleted or withdrawn from the list during this period. The Financial Compliance Section is responsible for the financial surveillance of surplus lines companies after they initially qualify for eligibility.

Since early 1993, this section has been responsible for reviewing applications for accredited reinsurer status in North Carolina. During 1995-1996, 14 such filings were received. Ten companies were found to satisfy the requirements and were listed as accredited reinsurers in this jurisdiction. The Financial Compliance Section is responsible for the continued financial surveillance of accredited reinsurers.

Since late 1986, this section has been responsible for conducting the financial review of risk retention groups filing for initial registration. It has also been responsible for making the initial determination that purchasing groups satisfy the requirements for registration. These entities operate under the authority of the Federal Risk Retention Act and North Carolina Insurance Statutes governing liability risk retention. The federal act permits risk retention groups and purchasing groups to provide certain types of liability insurance coverages to their members if the group is properly licensed in at least one state and files certain minimal financial information with each state in which it desires to do business.

The department has required as much information as allowed under the federal act in order to evaluate the merits of risk retention group filings and to protect North Carolina citizens to the maximum extent possible. North Carolina statutes require a purchasing group to purchase its coverages from an insurance company that is either licensed or eligible for surplus lines business in this state.

During the biennium, a total of seven filings for initial registration were received from risk retention groups and 62 initial filings were received from purchasing groups. Fourteen risk retention groups and 51 purchasing groups received initial registration during the period. The Financial Compliance Section is responsible for the continued surveillance of these entities after registration.

Financial Compliance Section

The primary responsibility of this section is to monitor the solvency of all insurance organizations licensed and/or authorized by the department. The section has the following responsibilities:

Process and review company licenses, corporate changes and corporate filings: Includes the review of renewal license applications of insurance organizations and the review, processing and approval of corporate changes of insurance organizations. Corporate changes include: acquisitions, mergers, dissolutions, reinsurance arrangements, charter changes, bylaw changes, holding company filings, and requests for sale of securities.

Monitor financial condition of insurance organizations: Accomplished by reviewing the operations and financial condition of each organization through the financial analysis of annual and interim financial statements and other financial data. The primary responsibility of the section is to determine the financial health of each insurance organization and take necessary and appropriate steps to safeguard the interests of the citizens of North Carolina. This financial analysis process utilizes the database and programs of the National Association of Insurance Commissioners.

Maintain security deposits from insurance organizations: Includes the collection of and maintenance of all security deposits made by insurance organizations for the protection of North Carolina policyholders. The actual funds are maintained by United Carolina Bank under a safekeeping arrangement and total approximately \$400 million at present. Most of the functions of the collateral securities program are computerized which allows quicker response on transactions and better monitoring of the quality of securities on deposit.

Performance Indicators	
1995-96	
Insurance organizations regulated	1,738
Financial statements analyzed	11,897
Reports on examination reviewed	1,008
Insurer licenses suspended	2
Insurer licenses revoked	6
Administrative actions	33
Deposits obtained as a result of financial inquiries	\$10,000,000
Securities on deposit for policyholder protection	\$400,000,000
Requests for authority to sell securities	357
Certificates of good standing, deposit, etc. processed	2,500

Field Audit Section

The primary responsibility of the Field Audit Section is to protect the interests of policyholders by ascertaining the financial strength of regulated insurance entities through on-site verification of financial data reported to the department. This function is conducted principally at the home office of insurance companies. Practices and procedures developed by this section, the Financial Evaluation Division, and the National Association of Insurance Commissioners (NAIC) provide the framework for the examinations conducted. This department was instrumental in directing the NAIC to incorporate North Carolina's in-house procedures into the NAIC Financial Examiners' Handbook. These procedures were adopted by the NAIC in 1994 and became required procedures in all states in 1996.

From January 1995 through December 1996, the Field Audit staff examined 61 domestic companies. Beginning in 1996, the section assumed responsibility for the field examinations of self-insured workers compensation groups.

EDP audit software sub-licensed from the NAIC is used to supplement other examination procedures. Both mainframe and personal computer versions of this software are utilized. Beginning in 1997, the section will explore implementation and training with new audit software that is currently under review by the NAIC.

Other automation includes the use of personal computers and various software packages. The previous objective to provide each examiner with a computer for use in the examination process has been met. However, with technological advances and the development of more sophisticated

software applications, much of the hardware had to be updated during 1996. The section believes upgrading of hardware will continue to be a challenge in the coming years as technology changes.

Electronic communication with the office and the NAIC is an important part of the examination process. The field examiners' personal computers are equipped with modems so they may connect to the department's and the NAIC's LAN file server. Field examiners can now gain access to financial information of insurance entities and provide information gained through the examination process.

Self-Insured Workers Compensation Section

This section reviews and evaluates applications of all entities that self-insure for liability under the Workers Compensation Act for initial licensing and ongoing solvency analysis. These entities are composed of "individuals" (single employers that retain their liability) and "groups" (two or more employers that pool their liabilities).

In the fall of 1995, the legislature passed significant legislation affecting groups. This legislation provided the department with additional authority to evaluate the financial condition of groups through additional filing requirements, examination by the Field Audit Section, and other oversight responsibilities.

Currently, there are 380 individuals and 29 groups. These entities generated \$18.3 million in premium tax revenue in 1996.

Continuing Care Retirement Communities Section

The Continuing Care Retirement Communities Section is charged with the responsibility of registration, disclosure, contract, and financial monitoring requirements for continuing care facilities in North Carolina. This section serves to provide for the financial oversight and licensing of continuing care facilities as well as providing additional safeguards for facility residents and prospective residents.

This authority, which became effective on January 1, 1990, applies only to facilities that furnish lodging or independent living combined with health-related services under a contract for the life of the individual, or for a period in excess of one year. Current laws provide for: disclosure of all material facts and financial data, departmental authority to intervene in the event of insolvency or the imminent danger of financial impairment, departmental authority to audit the financial records of facilities, and the establishment of a nine-member Advisory Committee to advise the Commissioner of Insurance on matters related to these facilities.

Facility filings sent to this section include a disclosure statement, certified financial statements, forecast projections, listings of services and fees, and residency agreements or contracts. Facility filings are evaluated for statutory compliance, financial stability, operating trends, and consistency between disclosure statements and residency agreements.

The first filing was received on January 29, 1990. As of December 31, 1996, 43 continuing care facilities have been issued permanent licenses. These 44 facilities are serving some 13,000 North Carolina residents.

Actuarial Services Division

Life and Health Section

This division's review of rate change requests has saved consumers covered under individual accident and health insurance policies approximately \$1.6 million in 1994, approximately \$3.5 million in 1995, and approximately \$1.2 million in 1996. An additional \$285,537 in savings will result from rate compromises that become effective in 1997. Since the division's review of the rates began, consumers have realized savings of approximately \$29.7 million as of December 1996.

During the biennium, Actuarial Services collected data and evaluated the impact of mandated reductions in the credit life insurance prima facie rates. The results of lowering the credit life insurance prima facie rates show a modest increase in the incurred loss ratio as of the end of 1995. It is expected that the incurred loss ratio will continue to increase with further reductions in prima facie rates.

Actuarial Services annually reviews the Medicare supplement insurance refund calculations submitted by insurance carriers. All carriers were correctly performing the calculations and no refunds were made for calendar year 1995. Actuarial Services also continues to review Small Employer Group actuarial rate certifications to assure compliance with the Small Employer Group Health Reform Act.

Actuarial Services continues to assist other divisions in regard to all aspects of actuarial science. As an example, Actuarial Services has assisted the Consumer Services Division with consumer complaints on rate increases (small employer group rate increases) and with questions concerning the recently adopted policy illustration regulation; the Financial Evaluation Division with shepherding Actuarial Guideline XXX through the rules adoption procedure; the Field Audit Division with various reserve and proper accounting of reserve items; the Managed Care Division in regard to the licensing of new HMOs and investigating HMO rate violations which resulted in several HMOs being fined; the Life & Health Division with reviewing unusual life, annuity and health insurance products as well as the review of all individual accident and health insurance and HMO rate revisions; and the State Health Plan with respect to the review of all rates submitted by HMOs.

Actuarial Services also provided the South Carolina Department of Insurance with its evaluation techniques and procedures for reviewing individual accident and health insurance rate revisions, HMO applications for certificate of authority, HMO rate revisions, and MEWA applications and regulations.

Property and Casualty Work

Actuarial Services works closely with the Property and Casualty Division in reviewing rate filings, loss cost filings, form filings and statistical filings. Actuarial Services has been heavily involved in private passenger automobile rate filings, workers compensation filings, self-insured compensations funds, and discussions with the North Carolina Rate Bureau on hurricane models for possible use in homeowners filings. The Actuarial Services Division strives to maintain rates that are not excessive and are not unfairly discriminatory to policyholders, yet adequate so as to provide a reasonable profit to companies and to protect their solvency. From the 1989 private passenger automobile filing, the companies were ordered to refund almost \$140 million, including interest, to North

Carolina drivers. In addition, the Actuarial Services Division helped save drivers in North Carolina approximately \$400 million from the 1994 filing and about \$13 million from the 1995-1996 filing with potential refunds of approximately \$900 million from those two filings.

The 1995 workers compensation filings were changed to produce loss costs rather than final rates. The Actuarial Services Division reviewed requests for loss cost decreases of 15.4% in 1995 and 13.7% in 1996. Additionally, as a result of loss costs legislation, the Actuarial Services Division has reviewed more than 100 loss cost filings for individual companies.

Another change in legislation dealt with workers compensation groups. This change strengthened the department's oversight of self-insured workers compensation groups. The Actuarial Services Division has reviewed the rate structure for every one of the self insured groups domiciled in North Carolina. This division has also assisted the Financial Evaluation Division in the financial review of these groups.

As a result of the protracted litigation involved with the 1993 homeowners rate filing the Actuarial Services Division has met several times with the North Carolina Rate Bureau to discuss the feasibility of using hurricane models in rate filings. Much information has been exchanged and much progress has resulted. In addition to these activities, this division has reviewed hundreds of rate filings, loss-cost and loss-cost adoption filings for commercial lines of insurance.

Financial Evaluation Work

Actuarial Services assists various sections of the Financial Evaluation Division. Actuarial analyses are performed on financial projections and proposed rates of companies applying for admission or registration in North Carolina. Loss and loss adjustment expense reserve reviews are also performed to aid in the financial evaluation of domestic insurance companies.

Information Systems Division

The Information Systems Division deals with high-technology issues and equipment, with a goal of using technology effectively to support the department's regulatory function. This activity, known within state government as "information resources management" (IRM), includes voice, image and data processing equipment and software, as well as telecommunications systems such as two-way radios, telephones and facsimile equipment.

Day-to-day responsibilities include programming, operating, planning, and managing five local area network (LAN) servers connected via the state's area network; and providing support for the department's microcomputers. An electronic mail system connects our staff with all other state departments of insurance; NAIC staff in Kansas City, Washington, and New York; other state government agencies; numerous private insurance companies; and Internet addresses worldwide. The division also provides office automation training to department staff.

The Information Systems Division is directly responsible for maintaining four major application systems on the network: consumer complaint tracking and analysis, company licensing, property and casualty rate and forms filings, and life and health rate and form filings. Staff of the division also work with computer programmers at State Information Processing Services (SIPS) to maintain and develop major software systems for our Agent Services and Self-Insured Workers Compensa-

tion units. Other smaller applications include fire incident reporting and an inventory of state property, which is self-insured by the department.

The Information Systems Division also consults with the department's line divisions regarding technology planning. Information Systems is the department's representative on the SIPS Advisory Board, and represents Commissioner Long on the Information Resources Management Commission as required. Similarly, the division exercises approval authority over all acquisitions of information and technology resources such as telephones, radios, computers, software, services, and maintenance contracts.

Under the state's revised IRM management structure as implemented by the 1992 General Assembly, the division will continue to perform the lead role within the department for integrated information technology planning and management. Similarly, within the department, the division provides staff support to a committee of managers of line divisions setting hardware and software standards, and IRM operational policy.

Administrative Supervision Division

The Administrative Supervision Division was formed in early 1992 to increase regulatory scrutiny over potentially-troubled insurance entities domiciled in North Carolina. The primary responsibility of this division is to closely monitor the financial condition and operations of domestic insurance entities deemed to be in a potentially hazardous financial condition. The ultimate goal of this division is to determine whether a troubled insurance entity can be prevented from going into formal delinquency proceedings and returned to sound financial condition and good business practices.

Examples of close monitoring procedures performed by this division include:

- financial analyses of annual and interim financial statements and other financial data, including holding company and affiliated company data;
- initiating, monitoring and enforcing workout plans designed to correct deficiencies causing the hazardous financial condition;
- performance of targeted financial and operational examinations;
- institution of formal administrative supervision proceedings designed to protect insurance company assets through a workout period.

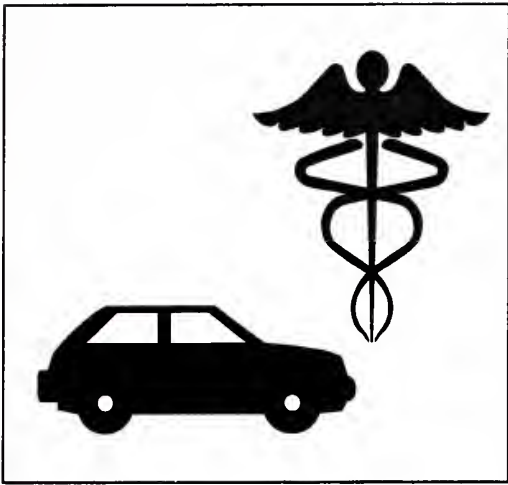
Potentially-troubled insurance companies are transferred to the Administrative Supervision Division via interaction with the Financial Evaluation Division and other divisions of the Department of Insurance.

Estate Operations Division

The Estate Operations Division works closely with the Administrative Supervision Division to evaluate the necessity of instituting formal delinquency proceedings and to provide guidance to troubled insurers after leaving administrative supervision. The unit's ultimate goal is to rehabilitate and/or liquidate troubled and insolvent insurers in order to protect and preserve, to the maximum extent possible, the remaining assets of the insurer for the benefit of the company's policyholders, creditors and the public.

The Estate Operations Division manages the financial and operational affairs of domestic insurance entities placed into receivership. Examples of specific duties performed include:

- marshaling assets, pursuing asset recoveries and liquidating assets of companies in receivership to the maximum benefit of policyholders and other creditors;
- managing the operations of the various departments of the insurer through a runoff period including claims, underwriting, policyholder service, data processing, accounting, and personnel.
- coordinating relationships and issues involving the various state guaranty associations called upon to pay policyholder claims.
- providing litigation support services and coordinating relationships and issues involving federal and state investigative agencies outside of the Department of Insurance.



Technical Services Group

Created in September 1988, the Technical Services Group is comprised of the Property and Casualty Division, Market Examinations Division, Life and Health Division, Seniors' Health Insurance Information Program and the Managed Care Division.

The Property and Casualty Division's primary responsibility is the review of rate, rule and policy form filings relating to property and casualty coverages. These filings are made by insurance companies, statutory bureaus and licensed rating organizations.

The Life and Health Division is responsible for the review and approval of rate, rule and policy form filings submitted by life and health insurance companies. Beginning in late 1996, this division began regulating the activities of third party administrators and multiple employer welfare arrangements.

The Market Examinations Division conducts field examinations of the market practices of domestic and foreign insurers and their representatives. Market Examinations has been reorganized and has standardized its review, summary, expense and examination procedures in order to develop meaningful trends.

The primary function of the Seniors' Health Insurance Information Program (SHIIP) is to train adult volunteers to help older adults through the maze of Medicare regulations, Medicare supplement insurance, long-term care insurance and claims procedures. In September 1992, SHIIP completed a six-year drive to expand the program to all 100 counties of North Carolina.

The Managed Care Division was established in 1992 to monitor and regulate the activities of managed care entities including: health maintenance organizations (HMOs), preferred provider organizations (PPOs), utilization review organizations (UROs), managed care indemnity health insurers, multiple employer welfare arrangements (MEWA), and third part administrators (TPAs). The division's emphasis is on how company activities affect consumers in North Carolina. The division accomplishes its work through several types of activities: market practice examinations of companies, review of document filings required of companies, and data collection and analysis.

While each of these functions has existed within the department for a variable number of years, the Technical Services Group was formed to increase their effectiveness, improve communication and enhance coordination, primarily with the actuarial staff and financial analysis examiners, as well as with other divisions within the department.

Property and Casualty Division

This division licenses rating organizations, advisory organizations and joint underwriting associations, and reviews rate, rule and policy form filings made by these entities. The division also collects filing fees for rate and form filings. In addition, this division reviews the rates, rules and forms for the North Carolina Rate Bureau, North Carolina Reinsurance Facility, Beach Plan, Fair Plan and licensed property and casualty insurance companies.

State law permits insurance coverages to be placed with surplus lines companies — those unlicensed in North Carolina — as long as there is compliance with applicable statutes and rules. Surplus lines taxes are the responsibility of specially-licensed agents; this division receives and reviews the tax forms submitted by these agents. In 1995-96, surplus lines premium taxes generated \$6,417,124 for the state.

Premium Taxes			
	No. of Policies	Premium	Tax Generated
1995	27,659	\$83,649,691	\$4,182,483
1996*	22,135	\$44,692,812	\$2,234,642

**Through 9/96*

Rate Deviations

State law allows companies to file rate deviations (discounts) on coverages such as private passenger automobile, homeowners, and dwelling fire under the jurisdiction of the North Carolina Rate Bureau. A typical deviation would be lower auto insurance premiums for autos with anti-locking brakes.

New Rate Deviations					
	HO	Dwelling/Fire	Auto	WC	Combined Auto/HO
1995	197	74	139	88	0
1996*	202	71	150	90	1

**Through 9/96*

Consent To Rate

Because some risks cannot be written at standard rates, state law permits companies to charge higher-than-standard rates on individual policies with the written consent of the policyholder. Prior to October 1, 1996, insurance companies were required to submit consent information to the Commissioner of Insurance for approval. However, due to a statute change, this division no longer reviews such information. Each insurance company must now maintain the required information for review during market conduct examinations or specific inquiries from this department.

Consent To Rate Requests		
	Private Auto	All Others
1995	791,775	3,314
1996*	754,411	2,785

*Through 10/96

Filings Review

Because this division's primary responsibility is the review of forms, rules and rates, filings must be carefully analyzed. During 1995-1996, a total of 17,923 filings were reviewed.

Forms, Rules and Rates Reviewed	
	Companies and Organizations
1995	8,395
1996*	9,528

*Through 12/16/96

Workers Compensation

Effective September 1, 1995, the method in which workers compensation insurance rates were established changed. The new system provided that the North Carolina Rate Bureau would determine the "loss cost," then each insurance company would determine its "multiplier." *Loss Costs* are based on historical aggregate losses and loss adjustment expenses adjusted through development to their ultimate value and projected through trending to a future point in time. A *multiplier* is an individual company's determination of expenses, other than loss expense and loss adjustment expense, associated with writing workers compensation and employers liability insurance.

Workers Compensation Loss Costs Filings

	NC Rate Bureau	Residual Market	Individual Company
1995*	1	1	0
1996**	1	1	177

*Effective 9/1/95

** Through 11/96

Workers Compensation Rates 1985-1996

Filing Year	Rate Requested	Rate Implemented	Statewide Premium	Employer Savings
1985	12.90%	7.50%	\$289,077,233	\$15,610,171
1986	12.80%	5.80%	\$363,134,574	\$25,419,420
1987	16.80%	15.90%	\$419,796,824	\$3,778,171
1988				(no filing)
1989	16.80%	9.00%	\$509,210,148	\$39,718,392
1990	29.30%	18.90%	\$541,485,184	\$56,314,459
1991	41.80%	15.80%	\$575,129,570	\$149,533,688
1992	40.30%	33.00%	\$650,405,437	\$47,479,597
1993	15.50%	9.30%	\$865,000,000*	\$53,630,000
1994				(no filing)

NC Rate Bureau Loss Costs Base Rates

1995	-15.00%	-15.00%	\$603,000,000	\$92,259,000
1996	-14.00%	-14.00%	\$511,000,000	\$70,000,000
			Total Savings	\$541,280,898

Significant Issues

Building Code Effectiveness Grading: North Carolina is one of three states that have approved this rating system for Commercial Property. The Building Code Effectiveness Grading Schedule developed a grade of 1 to 10 for a community based on the adequacy of its building code and the effectiveness of its enforcement of that code. The credits for the grades range from -1% to -15%. The Commissioner of Insurance approved the rate filing effective March 1, 1995.

Auto Rate Filings: The 1995 Auto Rate Filing was withdrawn as a result of problems with the data. Instead of a 1996 filing, the 1995 Filing was amended. Data problems still existed in the 1996 data but most were corrected. At the conclusion of the hearing, the Commissioner of Insurance ordered an overall rate *decrease* of 8.3%. The North Carolina Rate Bureau implemented a rate *increase* of 5.5% over the commissioner's order. The matter is now in litigation.

In December 1996, the North Carolina Court of Appeals issued its decision on the 1994 auto insurance rate filing—a decision which unanimously confirmed the commissioner's authority to set rates and supported his ratemaking approach. By the close of 1996, it was unknown whether the industry would pursue further appeals. If the Court of Appeals' decision becomes final, the commissioner will order consumer refunds totaling millions of dollars.

**Private Passenger Auto Rates
1984-1996**

Filing Year	Rate Requested	Rate Implemented	Consumer Savings*
1984	3.90%	-0.20%	\$23,535,607
1985	20.80%	10.40%	\$69,767,852
1986	12.20%	1.00%	\$98,010,197
1987	4.10%	1.0%	\$36,525,296
1988	6.40%	4.30%	\$23,917,914
1989	4.10%	-6.10%	\$127,768,278
1990	9.60%	4.00%	\$77,400,316
1991	9.60%	4.00%	\$83,191,330
1992	-4.20%	-6.10%	\$28,537,119
1993	(No filing)		
1994	17.70%	4.40%	\$418,072,648
1995/96	6.10%	5.50%	\$12,771,921
Totals			\$999,044,625

**Difference in total manual premium dollars between filed and implemented rates*

Medical Malpractice: Many companies have been revising physician and surgeon rates this year. The companies have made changes ranging from reclassifications to small overall rate increases. Two new companies have submitted filings for physicians and surgeons professional liability and are pending approval. This market appears to remain very competitive. It also appears that major changes may occur in the hospital professional liability market in 1997. The industry has indicated that a change in the rating basis will probably be filed in the next year. There has also been some interest from the industry in writing capitated stop-loss coverage. Approval is now pending for one company's program. Division staff anticipate more of these filings in 1997.

HO-91 Program: The new homeowners program was approved by the Commissioner of Insurance on April 1, 1996 with an effective date of November 1, 1996. The new program contains the following new coverages and enhancements:

New Coverages

- Other Structures away from the Residence Premises (HO 04 92)
- Refrigerated Property Coverage (HO 04 98)
\$500 limit of coverage
\$100 deductible
- Special Personal Property Coverage for Unit-Owners (HO 17 31)

Coverages Enhancements

- \$1,000 Special Limit on grave markers removed
- \$1,000 Special Limit for electronic apparatus added
- \$2,500 Additional coverage for landlord's furnishings added
- Exclusion for damage resulting from "constant or repeated seepage or leakage over period of weeks, months, or years" removed
- Threshold for actual replacement to receive replacement cost settlement raised from \$1,000 to \$2,500
- Up to 10% of Coverage A for Ordinance or Law Coverage

Beach Plan: There were three important changes made during the 1996 legislative session.

- The development of a proposal for a Reserve Fund to pay catastrophic losses as recommended by the Legislative Research Committee.
- Passage of an act to revise the Beach Plan participation formula. The revision to the formula is to encourage companies to write voluntary policies in the Beach area and enable them to write themselves out of the losses of the Beach Plan.
- The addition of business income coverage to the coverages available from the Beach Plan.

**North Carolina Insurance Underwriting Association
(Beach Plan)**

Beach Policies Only

	Premiums	% of Change	Policies Issued	% of Change
1995	\$14,844,286	9%	18,135	7%
1996	\$16,237,766	9%	19,113	5%

Wind and Hail Policies Only

1995	\$6,911,128	52%	7,154	31%
1996	\$8,134,454	18%	8,368	17%

Total Beach Plan

1995	\$21,755,414	19%	25,289	13%
1996	\$24,372,220	12%	27,481	9%

Life and Health Division

The 1995-1996 biennium has been a period of explosive activity for this division. Activities relating to federal and state health insurance reform, increases in the volume of life and health form and rate filings, and changes to life insurance rules have significantly impacted the workload of the division.

Health Insurance Issues

Most of the division's efforts have concentrated on health insurance issues. Many of these activities were a result of the public's interest in making health insurance more accessible, and the continued growth of uninsured persons in North Carolina.

Division staff served as a consultant to the NC Health Planning Commission and its successor, the NC Health Care Reform Commission. Staff members assisted the regional health insurance Purchasing Alliances in their efforts to make health insurance available to North Carolina's small businesses. Assistance was provided to the Small Group Carrier Committee as it revised the "standard" and "basic" plans to make them more marketable, and thus increase access to health insurance for small businesses. In response to Senate Bill 652 (enacted by the 1995 legislative session), which analyzed the impact of adjusted community rating on North Carolina and other states, the division researched and drafted a report submitted to the General Assembly.

The division prepared legislation which brings NC law into compliance with the requirements of the recently enacted federal Health Insurance Portability and Accountability Act of 1996, sponsored by Senators Kassebaum and Kennedy. The law makes all group health insurance plans "guaranteed issue," and increases the "portability" of all health insurance plans. The federal legislation requires

states to conform their statutes to the new law or risk federal management of health insurance. The legislation prepared by the division is expected to be introduced during the 1997 session of the General Assembly.

The division has worked closely with the Managed Care and Health Benefits Division in its oversight of managed care in North Carolina. Issues in which the division has been involved include "pharmacy of choice," freedom of access to obstetricians/gynecologists, length of maternity stays, confidentiality of data and trade secrets and the advertising of insurance products.

Much effort was spent in 1996 on issues relating to violations of rate laws by HMOs in North Carolina. It came to the attention of the division that several managed care organizations were using rates which had not been approved by the Commissioner of Insurance, or were offering rate guarantees or rate caps in violation of state statutes. These violations are apparently due to the intense competition for business within the HMO industry. Two cases have been closed. In both, the commissioner imposed monetary penalties on the managed care organizations. Research on other cases is continuing, and they are expected to be resolved in 1997.

Life Insurance Issues

The department adopted a rule governing life insurance illustrations in 1996. The rule, based on the model regulation for life insurance illustrations developed by the National Association of Insurance Commissioners, was effective January 1, 1997. As used in the rule, "illustrations" are presentations or depictions that include non-guaranteed elements of a policy over a period of years. The rule establishes how the various elements of a life insurance policy shall be described, how illustrations of future policy values shall be explained to consumers and how calculations of future policy values shall be projected.

Form and Rate Filings

The 1995-1996 biennium witnessed a steady increase in both the volume and complexity of health insurance form filings. New products, many of which contain innovative and complex provisions, were submitted to the Life and Health Analysts for review as the health insurance industry responded to increasing concern about costs, increasing marketplace competitiveness, the growth of the managed care industry and increasing pressure to provide insurance for the uninsured.

Life and Health Form/Rate Filings		
	Forms Filed	Fees Received
1995	6,881	\$307,560
1996	7,414	\$328,342

Seniors' Health Insurance Information Program

The Seniors' Health Insurance Information Program, known as SHIIP, was established in 1986 by North Carolina Insurance Commissioner Jim Long in response to an increased number of calls, letters and complaints from older North Carolinians confused by their health insurance options.

The activities and duties performed by SHIIP provide a valuable service to the State's senior population. SHIIP's primary objective is to educate the public on seniors' health insurance concentrating on Medicare, Medicare supplements and long-term care insurance. SHIIP educates the public using a three tier approach:

- by training volunteer counselors in all 100 counties of NC to educate and counsel their peers on seniors' health insurance
- by operating a toll-free hotline from the Raleigh SHIIP office, and
- by developing educational materials for use by consumers.

Since its creation SHIIP has trained more than 8,000 senior volunteers who undergo an extensive 24-hour training course to serve as SHIIP counselors. *Currently there are almost 1,500 active SHIIP volunteers covering all 100 counties in the state.* SHIIP Education Specialists conducted 41 training programs in 1995 and 25 in 1996, training a total of 427 volunteers. As a result of these trainings, SHIIP volunteers documented cash savings to clients of \$339,204.51 in 1995, and \$110,981.00 in 1996. In addition to individual counseling SHIIP received 31,353 calls on the hotline during 1995-96. SHIIP creates a number of consumer publications on a yearly basis including the *Medicare Supplement Comparison Guide* and the *Guide to Long-Term Care Insurance in North Carolina* and serves as a clearinghouse for many Health Care Financing Administration publications.

SHIIP is coordinated in each county through an existing human service agency such as a Council on Aging office, a Senior Center, or a Cooperative Extension office. These agencies serve as sponsors and provide important continuity, an available point of access and are models for interagency cooperation. Currently there are 124 SHIIP sponsors in our state.

SHIIP Achievements:

- receipt of national recognition from the Council of State Governments
- receipt of *Medicare Beneficiary Services Award* from HCFA in 1990
- training and informational workshops for NC Cooperative Extension Service agents on health insurance
- development and distribution of multimedia program called *Medicare Myths* which targets the pre-retirement audience and details five common misconceptions about Medicare and how these misconceptions can be hazardous to pre-retirement planning
- development and statewide distribution of an informational video on long-term care insurance
- development of Employer Group Health Plans and Related Issues Module
- development of direct mailer project targeting all North Carolinians turning age 65 in 1996

Market Examinations Division

The Market Examinations Division was created to monitor insurance company market practices, especially as they affect consumers. The examination methods employed by the division are based on a program developed by the National Association of Insurance Commissioners (NAIC). By agreeing to pilot the NAIC program, North Carolina became the first state in the nation to conduct market examinations along the lines promulgated by the NAIC.

The division is staffed by a deputy commissioner, a management support person, 13 field examiners and two clerical support persons. The division monitors the activities of foreign and domestic insurance carriers operating in North Carolina.

The division is divided into four regular examination teams, each capable of responding to special problems or concerns related to company practices.

Examinations are conducted on a regular rotation so that all companies domiciled in North Carolina will be examined on a four-year cycle and dominant foreign companies on a five-year cycle. A company's size usually dictates the number of analysts required for an examination. Most companies require no fewer than three analysts to conduct a thorough, effective examination.

Upon completion of the examination, and after a report has been submitted to the Commissioner of Insurance, the company is required to take action on all areas of concern referenced in the report.

Examinations are divided into three categories: general, focus and market segment. The three types of examinations require distinct protocols to ensure that companies are treated fairly and without prejudice or unfair discrimination.

Market Conduct Examinations			
Year	General	Focus	Market Segment
1994	6	36	14
1995	16	13	5

Managed Care and Health Benefits Division

The Managed Care and Health Benefits Division was established in 1992 to monitor and regulate the activities of managed care entities including: health maintenance organizations (HMOs); preferred provider organizations (PPOs); utilization review organizations (UROs); managed care indemnity health insurers; multiple employer welfare arrangements (MEWA); and third party administrators (TPAs). The division's emphasis is on how company activities affect consumers in North Carolina.

In contrast to traditional indemnity health insurance, through which insureds obtain covered services from health care providers of their choice and with little consideration of plan requirements, managed care plans determine many of the specifics of the delivery of care, such as the types of

providers available, selection of individual providers, and programs and policies that insureds and their treating physician must follow as a condition of receiving coverage.

As a result of the additional company and enrollee obligations present in the contractual relationship under a managed care plan, special regulatory concerns, in addition to traditional concerns relating to fair marketing practices, fair policyholder treatment, and financial capability, are warranted. These concerns relate primarily to the provider networks utilized by managed care plans, and their programs and policies designed to promote effective care and eliminate unnecessary care. Misapplication of these tools and techniques could result in insureds not getting coverage for the services promised under their policy, either through outright denial of coverage or through systematic barriers to care.

The division accomplishes its work through several types of activities: market practice examinations of companies, review of document filings required of companies, and data collection and analysis. These activities are discussed below.

The division's examination program has focused entirely on HMOs, with a few exceptions in earlier years. This focus is due to the fact that HMOs employ the highest level of policies and techniques to "manage care," thus having the greatest potential impact on consumers, as well as due to the need to utilize staff to perform statutorily prescribed examination duties. The examination program provides for examination of each HMO on at least a triennial basis, as required by law, and includes review of operational areas of a company, including management and control, provider network development, utilization management programs, quality assurance activities, third-party contracting arrangements, marketing, member services, claims payment, and underwriting practices. Examinations last between two and nine weeks, depending on their type and areas covered. General examinations entail comprehensive review of policies, procedures and practices in major operational areas of the company. Compliance examinations are designed to ascertain whether the company has taken corrective action to address problems found during the previous general examination.

The division is also responsible for reviewing filings for an HMO certificate of authority. These reviews are conducted in consultation with other divisions in the department, including actuarial and financial staff, and include review of applicant companies' planned operations, as well as an on-site pre-licensure examination. When resources permit, a licensure follow-up examination is conducted approximately 12 months after a new HMO has been licensed. The purpose of follow-up examinations is to ensure that actual operations are in accordance with that proposed in the licensure application, as well as to review company policies and procedures relating to areas addressed in law or regulations.

HMO Examinations and Licensure Summary

Year	Licensed HMOs	General Exams	Compliance Exams	Pre-Licensur Exams	Follow-Up Exams	Total Exams
1994	18	1	1	6	0	8
1995	22	5	4	10	7	26
1996	27	6	4	2	1	13

In-house review is performed on form health care provider contracts used by HMOs and managed care indemnity health insurers and annual registration filings from PPOs and UROs. Review of these filings permits evaluation of company practices and compliance as indicated by their written policies and procedures, data reporting, and assertions made by company officers. For form provider contracts and PPO registrations, review is performed to establish compliance with regulations pertaining to carriers' responsibilities for arranging the provider networks to which insureds are directed. For URO registrations, review is performed to determine procedural compliance with regulations governing the utilization review process, as well as the member appeal process when care is denied.

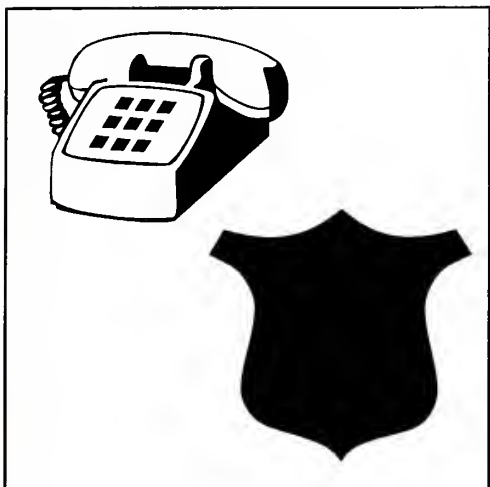
Managed Care Filings			
Year	Provider Form Contracts	PPO Registrations	URO Registrations
1994	not available	41	110
1995	250 (estimated)	84	140
1996	429	111	146

Commencing in the latter half of 1996, staffing resources have been dedicated to data collection and analysis of the managed care industry. Better data is expected to be of use to the department, in both its policy-making and enforcement efforts, as well as to legislators, other policy-makers, and researchers. Depending upon future directions, analyses useful to employers and/or consumers could be developed. Examples of possible data usage as a result of efforts currently underway include:

- the establishment of industry trends and norms relating to areas such as accessibility of provider networks (e.g. the types and numbers of health care providers included insurers' networks), utilization management practices (e.g. rate of denials of care, the timing and results of member appeals of such denials), member complaints about service and quality of care (e.g. reasons for member complaints and companies' policies for resolving complaints);
- assessment of managed care penetration, enrollment trends, and demographic and geographic enrollment information that may provide information about industry practices; and
- compilation of summary company information that provides interested parties with an overview of managed care industry presence and performance in North Carolina.

The number of licensed TPAs has grown from 118 as of December 31, 1994, to 149 as of December 31, 1996. An additional 48 TPAs which serve only self-funded single employer plans were registered with the Department as of December 31, 1996. Effective December 1996, TPA licensing was moved from the Managed Care and Health Benefits Division to the department's Life and Health Division.

Since laws were enacted to license multiple employer welfare arrangements, six licenses have been issued, three in 1993, two in 1994, and one in 1996.



Public Services Group

The Public Services Group is comprised of the Agent Services, Consumer Services, Special Services and Investigations Divisions.

The Agent Services Division regulates and issues licenses for insurance agents, adjusters, brokers and appraisers. The division reviews license applications, licensing examinations, and maintains a file on every licensed insurance professional doing business in the state of North Carolina.

The Consumer Services Division helps North Carolina consumers get answers to their insurance questions and resolve their insurance problems. A highly-trained staff of consumer specialists advise and acquaint consumers with courses of action they may pursue to solve their particular problems.

The Special Services Division is responsible for licensing and investigating complaints related to insurance premium finance companies, professional bail bondsmen and runners, collection agencies and motor clubs.

The Investigations Division is responsible for investigating criminal violations of North Carolina's insurance laws. Requests for investigations come from within the department, consumers, law enforcement agencies, local, state and federal agencies and insurance companies.

Consumer Services Division

The technical and complex nature of insurance generates a multitude of questions from the consuming public and from many segments of the insurance industry itself. Questions touching upon all types of insurance products are handled by our Consumer Services Division. Each year the division (a staff of 29 consumer service specialists and support personnel) provides valuable assistance to a broad array of our citizens.

During the 1995-96 biennium, division staff handled an average of more than 100,000 telephone calls and processed almost 10,000 written consumer complaints each year. A computerized data format allows for continuous updates and changes on each complaint file.

Such computerized complaint handling and the accumulation of related information offers important indications of how well departmental regulatory measures are affecting insurance market practices.

During the 1995-96 biennium, the consumer services staff was involved and active in a number of areas:

- The staff spoke to numerous community groups and educational gatherings on a variety of insurance topics, including automobile, health, workers compensation, and specialty coverage.
- The division helped to identify financially-troubled insurance agencies and assisted consumers in the resolution of resulting problems.
- The division, through its Market Assistance Plan, continued a remarkable record of helping prospective commercial policyholders locate and procure hard-to-find coverage that reduced their risks and allowed them to stay in business.
- The division provided direction and information to the department's Market Examinations Division relating to complaint experience regarding insurance companies' conduct in the marketplace.
- Staff provided front line participation at disaster recovery centers in the aftermath of natural calamities such as hurricanes, tornadoes and flooding.

In 1995-96, Consumer Services proceeded with the development of a new PC client/server data base. In early 1997, this new state of the art technology system will replace the division's first ever computer data base which was installed in 1985. The data collected and stored will be more readily accessible, and will enhance significantly the division's ability to monitor statutory and regulatory compliance of the insurance industry.

The Consumer Services Division serves as a significant front line service organization. Division staff continues to improve the quality of their service to consumers through professional training and continuing education.

Agent Services Division

The Agent Services Division protects the general public of North Carolina by ensuring that individuals representing the insurance industry have an adequate knowledge of the industry and possess the moral and ethical characteristics necessary to operate in a fiduciary capacity. The division's main function is to regulate all licensed agents, brokers, limited representatives, appraisers and adjusters authorized to do business in North Carolina. This regulation includes all activities concerning licensing, appointing and educating agents, brokers, adjusters and limited representatives (both resident and non-resident) selling insurance and adjusting claims of insurance in North Carolina.

The division operates in three separate and distinct sections. The Licensing/Pre-Licensing Education (PLE) Section establishes and administers minimum standards for licensure of agents, adjusters, brokers and limited representatives as well as recommending regulatory action. Division staff works closely with the Consumer Services Division, the Investigations Division, and the Attorney General regarding regulatory matters.

The Financial Section handles the billing and collection of all fees payable to the division. This section is responsible for adhering to the state's Daily Deposit Act and other state government accounting procedures. All reports are audited by the State Auditor.

The Continuing Education Section establishes and administers minimum education standards to maintain licensure through the Continuing Education program. This section also performs insurance agency examinations to determine compliance with the North Carolina statutes and regulations, and recommends regulatory action.

The division regulates the operation of 79 pre-licensing insurance schools conducted through private vendors, trade associations, universities, community colleges, and technical institutes. In addition, there are 4,661 approved continuing education courses being offered by 560 providers. An additional 235 seminars were approved for continuing education credits during 1996.

Agent Licensing Activity		
	1995*	1996**
Examinations	13,852	13,506
Licenses Issued	21,155	23,109
Agent Appointments	128,770	150,685
Certification Letters	18,052	16,423
Renewals/Appointments	317,864	388,782

* Reflects dates 1/1/95 through 12/31/95

** Reflects dates 1/1/96 through 12/19/96

In August 1996, the Licensing Voice Response Unit (VRU) was activated, (919) 981-5244. This number provides access to license status and general licensing information. The division is currently developing a computer program for the electronic download of insurance companies' appointments and terminations

The Continuing Education Voice Response Unit (VRU) is a toll-free number, 1-800-931-7111. Licensees may call this number from 7:30 a.m. - 11:30 p. m. Monday through Saturday to access their continuing education records and information on continuing education courses currently being offered.

The division continues to conduct routine examinations of insurance agencies. These examinations are conducted daily across the state by field examiners. The examination process gives the division an opportunity to review the records and operations of NC agencies. The purpose of the examination is to ensure that agency staff is appropriately licensed, review financial information, determine if files are accurately underwritten and to recommend continuing education courses. There has been a noticeable decrease in the number of agencies that have gone out of business since the implementation of routine examinations. The rules governing the continuing education program have been revised to give the division more control over the quality of instruction.

Investigations Division

Established in 1945 as the nation's first investigations bureau within an insurance department, the Investigations Division enjoys a long history in criminal investigation of insurance related crimes. The division conducts criminal investigations and supports prosecution of individuals, companies, and entities violating insurance and other criminal statutes.

During the biennium the Investigations Division initiated and concluded investigations of complex financial crimes in the area of health care fraud, while continuing the traditional vigilance over dishonest insurance agents and policyholders. Previous changes in management, investigative emphasis, and law enforcement personnel have produced positive results.

The recent criminal conviction and pre-trial diversion settlement of a medical laboratory fraud case is an example of the positive effect of these changes. The case was investigated jointly by state and federal law enforcement agencies, including the Investigations Division, and resulted in a criminal conviction with a \$5 million fine, plus an additional \$182 million in restitution to the federal, state, and local governments. These monetary penalties made this the largest criminal health care fraud case in North Carolina history, and the third largest in the nation. Individual settlements by insurance companies across the nation are now being pursued due to the investigative efforts and guidance of the Department of Insurance.

Other significant developments in the past two years include a less lenient stance by our court system for insurance agents convicted of embezzling premiums. Recently, four insurance agents or former agents have received active prison terms for stealing premium dollars from insurance companies. These sentences have ranged from a high of 20 years to three years incarceration. In previous years, active sentences were rarely imposed against insurance agents. Aggressive investigation and support of prosecution of insurance agents that divert and misapply funds from policyholders and insurers remains a major investigative initiative by the Investigations Division.

As evidenced by the statistical data below, the numbers of complaints and case referrals continue to increase. While the success of the Investigations Division cannot be measured only in numbers of convictions or amounts of money recovered, this data is an important measure of the success of our mission of combating insurance fraud.

Investigations Activities Report		
	1995	1996
Complaints and case referrals received	441	532
Investigations Initiated	88	72
Criminal Convictions	29	32
Restitution/monetary recoveries	\$804,346.58	\$187,447,246.08
Pending criminal cases	115	100

Restitution Report

County	1995	1996	County	1995	1996
Alamance	\$0.00	\$187,000,200.00	Madison	\$0.00	\$1,069.02
Brunswick	\$0.00	\$13,317.88	McDowell	\$5,189.13	\$0.00
Buncombe	\$76,245.76	\$0.00	Mecklenburg	\$229,066.98	\$17,641.53
Caldwell	\$0.00	\$19,762.00	Moore	\$4,944.84	\$0.00
Catawba	\$71,839.00	\$32,133.55	Nash	\$0.00	\$6,509.99
Chowan	\$0.00	\$117,025.98	Onslow	\$9,046.00	\$0.00
Cleveland	\$955.14	\$0.00	Orange	\$0.00	\$8,162.73
Columbus	\$25,814.00	\$0.00	Pasquotank	\$0.00	\$0.00
Cumberland	\$0.00	\$3,501.75	Pender	\$2,994.57	\$15,610.71
Davidson	\$2,932.00	\$0.00	Pitt	\$0.00	\$0.00
Duplin	\$0.00	\$20,485.00	Randolph	\$642.83	\$0.00
Durham	\$49,134.72	\$11,566.07	Richmond	\$36,241.89	\$3,015.18
Edgecombe	\$0.00	\$16,361.37	Rockingham	\$0.00	\$14,004.48
Forsyth	\$33,025.67	\$0.00	Stanley	\$0.00	\$0.00
Gaston	\$0.00	\$22,067.32	Union	\$659.00	\$3,862.00
Guilford	\$13,114.00	\$82,702.45	Wake	\$0.00	\$29,653.23
Henderson	\$1,850.00	\$0.00	Wayne	\$32,864.40	\$0.00
Hoke	\$2,630.00	\$0.00	Wilkes	\$4,911.78	\$0.00
Johnston	\$5,168.00	\$6,000.00	Wilson	\$4,410.49	\$0.00
Lenoir	\$5,592.71	\$0.00	Other states	\$146,056.61	\$0.00
Lincoln	\$0.00	\$2,593.84	Totals	\$804,346.58	\$187,447,246.08

Prospectus

Case referrals related to the approximately 425,000 Hurricane Fran claims were beginning to be reported at the end of 1996. These storm related claims will likely dominate the complaints received by the division in 1997. The Investigations Division has participated with insurance companies in a catastrophe task force that analyzes and investigates suspicious storm related claims. The division also has assigned investigators to work with investigators from the Federal Emergency Management Agency's Office of the Inspector General to pursue criminal investigations of fraud perpetrated by contractors, adjusters, and policyholders. In addition to significant health care fraud cases and catastrophe related crimes, the Investigations Division will continue the customary investigative role involving fraud committed by licensed insurance agents, insurance companies, workers compensation fraud, and staged automobile accidents.

Special Services Division

The Special Services Division is responsible for licensing, auditing, and monitoring insurance premium finance companies, motor clubs, collection agencies, professional bail bondsmen, bail bond runners and surety bondsmen. The division protects the public by investigating allegations of criminal as well as statutory violation by these licensed entities and seeking prosecution, restitution and/or disciplinary action.

In 1995-96, the division licensed the following entities to operate in North Carolina:

1995-96 Licensees		
Name of Industry	No. of Licensees	
	1995	1996
Insurance Premium Finance Companies	213	192
Insurance Premium Finance Companies (Branch Office)	122	119
Collection Agencies	309	299
In State (128) Out of State (181)		
In State (133) Out of State (166)		
Professional Bail Bondsmen	230	219
Bail Bond Runners	354	311
Surety Bondsmen	Not Recorded	646
Motor Clubs	32	32
Motor Clubs (Branch Office)	401	421
Totals	1,661	2239

During this biennium, the division completed a total of 1,073 routine and criminal investigative assignments. As a result of these assignments, criminal and regulatory actions were taken against the violators. Fifty-two criminal charges by investigators of the division resulted in 29 arrests. Civil penalties totaling \$305,600.00 were levied and \$439,526.92 in restitution was ordered paid. The division monitored and administered \$333,785.38 in consumer funds to North Carolina consumers. (See following tables detailing criminal/regulatory actions and refunds effected.)

Consumer Refunds

Bail Bondsmen		Collection Agencies		Premium Finance Co.		
County	1995	1996	1995	1996	1995	1996
Alamance				\$8,002.32		
Bladen		\$605.00				
Cleveland	\$500.00					
Columbus					\$1,786.00	\$165.00
Durham		\$510.00			\$237.53	\$382.55
Edgecomb	\$655.00					
Forsyth			\$1,543.00	\$156.95		
Gaston	\$4,155.00	\$5,500.00		\$14,469.92		
Guilford			\$4,000.00		\$1,478.00	
Harnett					\$327.17	\$263.94
Haywood	\$30.00					
Iredell		\$3,150.00				
Mecklenburg*	\$2,370.00	\$4,085.00	\$1,428.47			
Nash	\$1,600.00	\$275.00				
New Hanover	\$650.00					
Onslow	\$1,075.00					
Pasquotank		\$75.00				
Pitt	\$700.00	\$50.00	\$22.00			
Robeson	\$3,300.00					
Surry	\$425.00					
Vance		\$11,000.00				
Wake	\$11,890.00	\$7,456.75	\$375.00		\$290.00	
Watauga				\$226,870.78		
Wilkes			\$290.00	\$450.00		
Totals	\$27,350.00	\$34,106.75	\$17,368.47	\$249,949.97	\$4,163.70	\$811.49

*A Motor Club in Mecklenburg County refunded \$35.00 in 1995.

**Summary of Civil Penalties, Criminal Convictions,
Restitution, and License Action**

1995	Civil Penalties Number/Penalty Amount	Criminal Convictions Number/Restitution	License Action Denial, Revocation or Suspension
Bail Bondsmen	14/\$34,250.00	8/\$2,832.00	5
Collection Agencies	0/0	2/\$417,975.00*	2
Premium Finance Co.	1/\$3,100.00	0/0	0

1996	Civil Penalties Number/Penalty Amount	Criminal Convictions Number/Restitution	License Action Denial/Revocation, or Suspension
Bail Bondsmen	8/\$10,250.00	6/4,250.00	15
Collection Agencies	3/\$254,500.00**	1/\$14,469.92	1
Premium Finance Co.	1/\$3,500.00	0/0	0

*The owner of the collection agency charged and convicted in Pitt County is currently serving the longest sentence ever ordered by the courts as a result of a criminal investigation conducted by the division.

**The \$250,000 civil penalty against the collection agency located in Watauga County is the largest fine ever assessed by the division. Pursuant to Article IX, Section 7 of the North Carolina Constitution, this fine was remitted to the Watauga County School Board.

During this biennium the division processed findings of facts and request for payments from North Carolina county officials to satisfy bail bond judgements from security deposits held in trust by the department. The process resulted in payments to various clerks of courts (local school boards) totaling \$761,344.18. The payments are detailed in the attached chart.

Bail Bond Judgements

County	1995	1996	County	1995	1996
Alamance	\$529.00		Johnston	\$3,075.00	\$285.00
Alexander	\$1,000.00	\$6,235.23	Lenoir	\$1,870.00	\$6,330.00
Alleghany		\$1,595.00	Martin		\$95.39
Beaufort	\$1,725.00	\$3,903.47	Mecklenburg	\$59,705.00	\$35,650.00
Brunswick	\$18,450.00		Nash	\$7,457.10	\$2,934.00
Buncombe	\$7,820.00		New Hanover	\$33,609.89	\$41,880.00
Cabarrus	\$10,247.63	\$435.60	Northampton		\$1,115.00
Caldwell	\$2,410.00	\$2,150.00	Onslow	\$5,487.00	\$101,485.66
Catawba	\$5,735.00	\$335.00	Orange		\$2,375.00
Cleveland	\$510.00		Pender	\$620.00	\$1,010.00
Columbus		\$12,541.00	Pitt	\$40,976.00	\$26,644.86
Craven		\$11,040.00	Polk		\$500.00
Cumberland		\$3,808.00	Robeson	\$21,300.00	
Durham	\$10,040.00	\$15,599.12	Rowan	\$555.75	\$31.52
Edgecomb	\$2,601.75	\$8,007.12	Sampson	\$33,105.00	
Forsyth	\$71,835.04	\$138.28	Surry		\$7,436.54
Franklin	\$1,175.00	\$150.00	Vance	\$7,550.00	\$1,160.00
Gaston		\$917.75	Wake	\$37,827.09	\$30,999.24
Granville	\$2,435.00	\$1,356.75	Warren		\$1,150.00
Greene	\$5,010.00	\$1,715.00	Watauga	\$600.00	
Guilford	\$27,237.40	\$3,560.00	Wayne		\$835.00
Harnett	\$1,810.00	\$275.00	Wilson	\$85.00	\$20,840.00
Haywood		\$250.00	Yadkin		\$1,000.00
Henderson	\$700.00				
Iredell		\$185.00	Totals	\$403,389.65	\$357,344.18

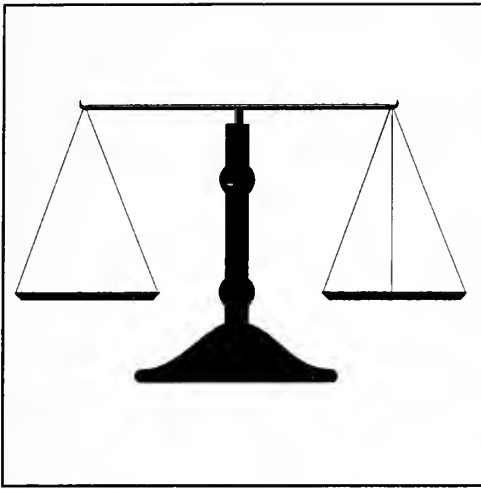
Legislative Action

The 1995 session of the General Assembly ratified Senate Bill 534, which regulates surety bondsmen, bail bondsmen, and runners. In summary, this act redefined the term “surety bondsmen” and changed the licensing procedures whereby all bail bondsmen (professional bail bondsmen and surety bondsmen) and bail bond runners would be licensed and regulated by the Special Services Division pursuant to North Carolina General Statute 58, Article 71.

Personnel

In 1995 one of the criminal investigators of the division was recognized for his devotion to duty and received the Governor’s Award for Excellence. This was the first employee of the Department of Insurance to ever receive this award. In 1996, the Governmental Accounts Auditor of the division was nominated and elected as the candidate to represent the Department of Insurance for the Governor’s Award for Excellence within the category of Devotion to Duty.

The Deputy Commissioner of the division has been instrumental in organizing and establishing the North American Collection Agency Regulatory Association (NACARA). The purpose of the NACARA is to enhance the administration and enforcement of collection license laws by providing members with opportunities for communication on license law matters, to conduct research and obtain information on license matters for professional improvement, and to encourage and develop cooperation with other organizations whose major objective is of a similar nature. In 1996, the Deputy Commissioner of the division was elected President of the NACARA.



Office of the General Counsel

This organizational unit provides internal legal advice to all divisions of the department. The division includes two Attorney IVs who litigate all rate cases for the department through final appellate adjudication. The department's General Counsel also acts as liaison with the Attorney General. The office coordinates hearings on a wide variety of administrative matters and prepares complex orders and memoranda for the Commissioner. The General Counsel serves as one of the Department's hearing officers having final agency decision authority, and reviews all department contracts with suppliers and consultants.

General Counsel

The General Counsel must give legal direction and counsel to the Commissioner, all members of the department, and the Attorney General in areas relating to insurance law, general civil practice, statutory and common law, criminal law and procedure. Further, the General Counsel serves as the hearing officer for a wide variety of administrative hearings. The General Counsel also provides legal direction and counsel concerning the laws relating specifically to the activities of the related non-insurance entities regulated by the divisions in the department. The General Counsel directly supervises the activities of two Attorney IVs and two administrative secretaries and evaluates the effectiveness of the work of the Attorney General in the context of providing advisory opinions and handling administrative proceedings and other litigation. The General Counsel also litigates cases at the instruction of the Commissioner of Insurance when the Department of Justice conflicts with representing the Department of Insurance.

Activities of the General Counsel		
	1995	1996
Hearings on Agent Summary Suspension/License Revocations	21	15
Hearings on Agent/Bailbondsmen Denial of License Applications	0	15
Hearings on Appeals from Decision of Joint Underwriting Authority, Beach Plan, FAIR Plan, and Guaranty Associations	3	5
Licensure Matters Relating to Insurance Companies	0	5
Other Administrative Hearings	8	3
Informal/Formal Opinions Produced In-House by General Counsel	0	106
Other Matters Handled by the General Counsel (Excluding Administrative Hearings)	0	34
Matters Referred to Attorney General's Office for Review/Informal Opinion	6	114
Market Conduct Hearings	2	0

Ratemaking Litigation

During the 1995-96 biennium the Office of the General Counsel continued to be closely involved in several pieces of significant litigation involving ratemaking for lines of insurance under the jurisdiction of the North Carolina Rate Bureau. Until early 1996, these cases were handled primarily by outside counsel and outside witnesses under the direction of the General Counsel. Beginning in early 1996, however, two Attorney IV positions and one staff position were created by the 1995 General Assembly. These positions assumed the ratemaking functions in the General Counsel's Office, thereby eliminating the necessity for contracting outside counsel in complex rate cases.

In September 1994, the Commissioner disapproved an auto insurance filing submitted by the Rate Bureau on February 1, 1994. The Commissioner stated that it was "excessive and unfairly discriminatory" in part because it added million of dollars to the bills of many of the state's drivers so others could be given "deviations," or premium discounts. The industry insisted that such cost shifting is authorized by state law, but after a five-week administrative hearing, the Commissioner found otherwise. The Commissioner's 1994 order was subsequently appealed to the North Carolina Court of Appeals.

In December 1996, the Court of Appeals issued its decision affirming in part, yet remanding the case to the Commissioner for further clarification. Notwithstanding the partial remand, the court's decision unanimously confirmed the Commissioner's authority to set rates and supported the Commissioner's ratemaking approach. By the close of 1996, it was unknown whether the industry would pursue further appeals.

If the Court of Appeal's decision becomes final, the Commissioner will order consumer refunds totaling millions of dollars. Until such time, the escrow funds will continue to accrue interest.

The Rate Bureau's 1995 filing was continued prior to its hearing. The delay was due to substantial data errors discovered by the industry in the ratemaking database underlying the filing. In April 1996 the Rate Bureau submitted a filing which satisfied the 1995 and 1996 filing requirements. The Department held a six-week hearing. The Commissioner issued his final "order" in October 1996 disapproving the filing. The Rate Bureau appealed the Commissioner's order to the Court of Appeals.

The 1994 and 1996 automobile rates cases are the only cases on appeal at this time. In past years, as many as five rates cases have been simultaneously on appeal by the Rate Bureau.

In its 1995 and 1996 filings, the Rate Bureau filed for significant decreases in Workers Compensation rates which were approved by the Commissioner without formal hearing. Department staff join the industry and businesses in hoping that the significant reforms enacted by the legislature in 1995 will continue to reduce workers compensation costs and, hence, the premiums paid by North Carolina businesses.

While these lengthy rate cases involve public expense in staff and consultant time, taxpayers have enjoyed an enormous rate of return on funds disbursed from the Consumer Protection Fund created by N.C.G.S. 58-2-215. The Fund has fulfilled its promise of "leveling the playing field" for state regulators facing the substantial resources of the insurance industry. The table below details this favorable cost-to-benefit ratio.

Departmental Rate Regulation

Rate Filing	Total Savings	Total Cost	Savings/Consumers
1994 Auto	\$1,029,700,277	\$911,210	\$1,130
1995/1996 Auto	\$320,675,852	\$619,107	\$518



Safety Services Group

Comprised of the Engineering, Manufactured Building, State Property Fire Insurance Fund, and the Fire and Rescue Services Divisions, the Safety Services Group administers and enforces life safety standards throughout the state, promotes risk management practices throughout government, and maintains a sound insurance program for state agencies.

The Engineering Division administers the state building code. Providing staff to the NC Building Code Council, the NC Code Official Qualifications Board and the Home Inspectors Licensing Board, the division is comprised of seven sections: code consultant, electrical, mechanical, modular, inspector certification, building code council and handicapped accessibility.

The Manufactured Building Division works to assure that construction standards for manufactured homes are maintained and that warranty obligations under state law are met. The division monitors handling of consumer complaints, licenses the makers of manufactured homes, dealers, sales representatives and set-up contractors, and acts as staff for the NC Manufactured Housing Board.

The State Property Fire Insurance Fund administers the self-insurance fund for state-owned property and vehicles, and assists local governments with property and casualty insurance programs. This program also makes available professional liability coverages for law enforcement officers, public officials and employees of any political subdivision in the state. This section also provides staff, administration, and research services to the Public Officers and Employees Liability Insurance Commission (POELIC).

The Fire and Rescue Services Division administers the Firemen's Relief Fund, trains fire departments and rescue squads and works to improve fire and rescue protection. The division also administers matching dollar-for-dollar grants to volunteer fire departments and rescue squads and offers fire prevention education in the public schools. And the division provides staff, administration, and research services to the Fire and Rescue Commission.

Engineering Division

North Carolina's General Statutes give the Commissioner of Insurance the responsibility of general supervision of the administration of the North Carolina State Building Codes. The codes contain regulations relating to plumbing, electrical, heating, air conditioning and fire protection systems and the construction of buildings in general. The division meets these responsibilities by providing interpretations of code requirements and assisting local government authorities with the application of the codes.

The division also inspects electrical systems in state-owned buildings, reviews plans and specifications of new buildings for code compliance, assists with code-related educational programs, and administers state examinations required for certification of city, county and state code enforcement officials.

Division staff also administer the state's accreditation program of independent inspection agencies who safety test and label electrical and mechanical equipment or monitor the performance of manufacturers who sell factory-fabricated modular buildings.

In addition to serving as an informal state code appeals agency, the division also serves as staff to the North Carolina State Building Code Council, the North Carolina Code Officials Qualification Board, and the North Carolina Home Inspectors Licensure Board.

Engineering Division Activities

1995-1996

Plans reviewed	4,207
Field inspections	2,953
Office conferences	6,888
Telephone information requests	126,365
Schools, seminars and conference participation	444
Building Code Council meetings	88
Qualification Board meetings/hearings	56
Qualification Board complaint investigations	36
Inspection certification schools coordinated	1,932
Inspector certification exams administered	2,562
Inspector certification applications reviewed	8,165
Inspector certificates renewed and issued	9,537
Code publication sales	\$1,844,357
Electrical certificates of compliance issued	642

Code Administration and Enforcement

The division provides interpretations of the intent of the state building code to city and county inspection officials, architects, engineers, contractors, material suppliers, manufacturers, other state agencies, attorneys and the general public.

The division is responsible for reviewing plans and specifications for large buildings. Before a permit can be secured for these buildings, a letter of compliance must be issued by this division to the inspection department having jurisdiction.

State law requires that handicapped and disabled persons receive treatment equal to that afforded other persons. The division has an Accessibility Section which provides information to handicapped organizations, design and construction professionals and building owners in the application of these state laws and the building code requirements relating to accessibility. This assistance helps provide our disabled citizens with the full and free use of all buildings in the state. Accessibility regulations are currently being revised to make N.C. Code equivalent to federal Americans with Disabilities Act regulations.

This division inspects the electrical systems of all state-owned buildings during construction. When code violations are detected, the contractor or designer is advised of corrections required. Contractors cannot receive payment for their work until this division issues a certificate stating that the installation complies with safety regulations. In addition to these required inspections, this division assists local officials with the inspection of other construction aspects of buildings when requested.

Because some buildings require special construction, technical assistance is necessary from the division to ensure that the building is safe. Inspection assistance is also provided for structures when deterioration, fire or storms create conditions which appear to be hazardous to life.

Our staff also serves as the State Damage Assessment Team and assists the State Office of Emergency Management during disasters.

State Building Code Council Support

The building code council consists of 15 members appointed by the governor. The council is empowered to adopt and amend the state building code, hear appeals on the interpretation of the code and approve local building regulations which are different from the state code. The council holds regularly scheduled public hearings on the second Tuesday in March, June, September, and December. Additional meetings are held by council code committees.

State law permits the building code council to provide, in circumstances deemed appropriate, programs to certify independent testing laboratories as state-accredited third-party agencies to evaluate, inspect and label factory-built manufactured buildings, and electrical and mechanical building components. This program is administered by division staff.

Code Officials Qualification Board Support

This board develops standards for the training and certification of code enforcement officials. The division provides clerical and staff services in support of this effort. The board is also responsible for developing training schools and state examinations for inspector certification. Some division staff members serve as instructors; all state certification exams are administered by division staff.

Persons certified by the board are issued a certificate for each level and area of inspection for which they have met qualification requirements. The division also investigates written, substantiated complaints against inspectors made to the board, which may then schedule a hearing.

The division is divided into eight sections: code consultant, electrical, mechanical, modular, inspector certification, accessibility, code council, and fire prevention.

On July 1, 1991, North Carolina's first State Fire Prevention Code became effective. This required the hiring of an individual with fire prevention experience. This staff member has provided code interpretations to more than 1,500 city and county fire inspectors throughout the state and has assisted in the development of three levels of fire prevention courses.

Home Inspectors Licensure Board Support

This board was created by the legislature in 1994 to provide for the licensure and regulation of those who perform home inspections for compensation. This board is composed of seven members and a designee of the Commissioner of Insurance. This board provides for the development and maintenance of standards of practice, code of ethics, examinations, licensure, renewal, and disciplinary procedures for home inspectors in North Carolina. The division provides clerical and staff services in support of this effort. The staff provides all administrative functions for the board including administering the examinations, issuing licenses, and renewal of licenses.

Manufactured Building Division

This division acts both as a state administrative agency under the federal Manufactured Housing Constructions and Safety Standards Act and as staff to the North Carolina Manufactured Housing Board.

The role of a state administrative agency is to monitor manufacturers' handling of consumer complaints to assure compliance with federal standards. Staff support of the Manufactured Housing Board includes licensing all manufacturers, dealers, set-up contractors, and salespersons that do business in this state to ensure compliance with warranty requirements set forth in the General Statutes.

This division is also responsible for developing set-up and anchoring standards for manufactured homes and assisting local inspection departments in the inspection of homes for proper set-up and anchoring requirements. Division staff has rewritten the state set-up and anchoring standards which became effective July 1, 1995. Seminars have been held throughout the state to familiarize the local inspection departments, manufacturers, dealers, set-up contractors and other interested parties with the 1996 revisions to the code.

This division is entirely receipt supported. A portion of these receipts come from fees received from HUD for manufactured homes placed in our state for retail sale. The balance of the division's funding comes from license fees charged to manufacturers, dealers, set-up contractors, and salespersons.

In July 1992 the division began requiring salespeople to pass a formal test before issuing a sales license. These tests are offered in various locations across the state to facilitate the program.

The division is responsible for filing claims against surety bonds in the event dealers or manufacturers go out of business or cannot otherwise fulfill their warranty obligations. In 1995, the division collected approximately \$10,400 and collected in 1996 about \$19,700 on behalf of North Carolina consumers.

The division also supplements its receipts by participating in a contract with the National Conference of States on Building Codes Standards. During 1995-96, division staff spent approximately 1,000 hours on interstate monitoring inspections.

Manufactured Building Division Activities		
	1995	1996
Complaints Received	806	1,121
Inspections Completed	503	657
Manufacturers Licensed	81	90
Dealers Licensed	735	862
Set-up Contractors Licensed	536	633
Salespersons Licensed	2,075	2,200
Salespersons Temp. Licensed	628	922
Board Hearings Scheduled	4	11
Pre-Hearing Conferences Scheduled	113	243

State Property Fire Insurance Fund

This division is responsible for the operation and maintenance of the State Property Fire Insurance Fund, the self-insurance plan for state property. The division currently has jurisdiction over 13,000 state-owned buildings with a combined value of \$9.6 billion. With the approval of the Council of State, the division investigates and adjusts claims and pays losses.

The fund provides basic fire and lightning insurance coverage for state-owned property and offers insurance for wind, hail, riot, explosion, smoke, theft, sprinkler leakage, vandalism, flood, and business interruption. The division procures from private insurance carriers other needed insurance such as auto liability and physical damage, inland marine, ocean marine, aircraft liability and physical damage, boiler and machinery, workers compensation, accident and health, general liability, crime, professional liability, and bonds.

Another vital function of the division is plan approval for construction and renovation of all state buildings. Plans are reviewed to assure state construction is safe for building occupants and desirable for insurance purposes. Emphasis is placed on proper exits, building fire resistance, and fire protection systems.

The division also develops specifications for fire detection and alarm systems, sprinkler systems, and other life safety equipment used by designers of state buildings.

By statute, the division reviews and approves all building plans, insures finished buildings, and inspects them annually. Between plan approval and completion of construction, there is at present no statutory inspection for code compliance. One of our objectives for the coming biennium is to develop statutory requirements for such inspections.

Loss control through annual inspection of all state-owned buildings is accomplished by inspectors who are certified in the interpretation of codes and standards for fire protection and construction. Reports are made to agency management for correction of deficiencies. The staff also provides advice on corrective measures.

Updating fire protection systems in existing buildings is a continuous process. Emphasis is placed on improving the protection of major computer installations, libraries, high-risk buildings, places of assembly, and other areas with a high concentration of people or expensive property.

Because of the rapid increase in the use of computers and other electronic equipment, lightning damage has become the state's most frequent loss. Efforts to reduce lightning losses include communicating information to agencies on proper protective measures, and inspecting sites with recurring claims.

The risk management section serves as the resource for state agencies in resolving risk issues. The section administers the state's automobile insurance program covering 31,000 vehicles, and helps local governments review their insurance needs and implement risk management programs. Since 1985, 145 North Carolina communities and counties have received complete insurance surveys and risk management services.

The section also provides staff, administration, and research services to the Public Officers and Employees Liability Insurance Commission (POELIC). The commission is charged with making available a plan of professional liability coverages for all law enforcement officers, public officials, and employees of any political subdivision of the state.

The plan provides \$11,000,000 in liability coverage on all 102,000 state employees for losses resulting in bodily injury or property damage, and for errors and omissions in the performance of their jobs. About 500 such claims are filed against state employees each year.

Fire and Rescue Services Division

Inspections

This section serves as the certifying agency for qualifying fire departments and their members for several benefit programs.

Since 1985, fire departments must be inspected by the Fire and Rescue Division in order to qualify for the In-Line-of-Duty Death Benefit, the Firemen's Pension Fund, and the Firemen's Relief Fund.

The Commissioner of Insurance sets the standards and qualifications for the initial certification of all fire departments. North Carolina has experienced an annual growth rate of approximately ten fire departments in each of the last ten years.

In October 1987, this section was given the duty of inspecting more than 1,000 fire departments in North Carolina. The first phase of this project has been completed. The results of these inspections have been reported to the North Carolina Fire Rate Bureau and are to be used by them in filing future rates for fire insurance costs. The fire departments are reinspected on a two-to-three year cycle in order to maintain a current picture of the quality of fire protection in North Carolina and to assist the departments in making improvements.

In August 1995, the third phase of the inspections program was completed with approximately 90% of the fire departments meeting state requirements. The information collected during the inspections is also used in the qualification process for the rural fire department and rescue grant programs. The inspections program has been instrumental in helping to upgrade fire protection in the state.

This section continues to assist local governments with fire district mapping, setting up tax districts, preparing fire departments for ISO surveys and by providing information on benefit programs. The section also serves as an information resource on rural fire protection for local government officials.

Safety Programs

Fighting the causes of unintentional injuries, fatalities and property loss is the focus of the Safety Programs Section. The section's primary goal is to raise awareness about the causes of injury through behavioral, environmental and legislative interventions. Support is also given to local fire and rescue providers in forming information networks such as the Fire and Life Safety Educators Network and developing resources for local safety projects.

Research is an important part of the Safety Programs Section. Items researched by this section include the impact study of legalizing fireworks, product-specific studies, educational methods research, and general trend analysis. Data collected through the North Carolina Fire Incident Reporting System and Casualty Reporting System provides the basis for fire/burn prevention programs to this section.

Specific programs managed by the Safety Programs Section include North Carolina Safe Kids, Learn Not To Burn, and the Buckle Up Kids Programs. North Carolina has eight Safe Kids coalitions and is growing. Buckle Up Kids has been implemented in 57 counties with 7 counties pending and has distributed more than 2,100 child passenger safety seats through fire/rescue agencies. The Learn Not To Burn Program educates more than 90,000 fourth graders annually.

Funds

Working closely with the NC Fireman's Association, division staff continues to improve collection and disbursement of the Firemen's Relief Fund. Significant effort has been made to reduce the number of fire departments disqualified due to ineligibility. The Rescue Relief Fund was created in 1987 to assist rescue personnel in need.

The Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund were created in 1987 to financially aid local fire and rescue departments with equipment purchases and capital expenditures.

Volunteer Fire Department and Rescue/EMS Grants*

	1995	1996
Volunteer Fire Department Fund	\$1,800,089.81	\$1,839,244.18
Volunteer Rescue/EMS Fund	\$952,085.64	\$995,998.41

** Total approved monies for both matching and non-matching state grants.*

North Carolina Fire and Rescue Commission

The Fire and Rescue Commission is an advisory board consisting of representatives from various fire and rescue organizations as well as state agencies. The Commission is responsible for developing voluntary certification programs and professional standards for all levels of fire and rescue personnel.

Presently, eight certification programs and 20 levels of certification are active, including: Firefighter, Instructor, Rescue Technician, Fire and Life Safety Educator, Fire Apparatus Driver/Operator, Emergency Vehicle Driver, Hazardous Materials Responder, and Fire/Arson Investigator.

The Firefighter, Instructor, Hazardous Materials and the Driver/Operator programs are currently accredited by the International Fire Service Accreditation Congress, of which the Commission is an active member.

The most recent undertaking of the commission is the development and dissemination of the Occupational Safety and Health Standard for Fire Departments and Rescue Squads. This is a compilation of the applicable NFPA Standards and OSHA General Industry Standards.

Future programs from the Commission will include a Fire Officer Certification program. A committee is currently working on the development of this standard and should be ready for pilot testing in early 1997.

The goal of such programs is to provide additional professional recognition, as well as enhance the safety of emergency services personnel in North Carolina.

North Carolina Code Officials Qualifications Board

The board is organized under the provisions of Chapter 143, Article 9C of the North Carolina General Statutes. A list of members follows, along with the individual or organization by whom they were appointed.

Mr. Charles England, Chair	Speaker of the House
Mr. Charles R. Horne, Vice-Chair	Governor
Mr. Richard D. Ducker	Institute of Government
Ms. Renee Cahoon	Governor
Mr. Kenard M. Knust	Lieutenant Governor
Mr. D. Edwin Rose	Speaker of the House
Mr. David Carelock	Governor
Mr. Nathaniel Cannady	Speaker of the House
Mr. Mike Pittman	Department of Community Colleges
Mr. Joseph D. Wheliss	Governor
Mr. James D. Kennedy	Lieutenant Governor
Mr. Hubert Jefferson	Governor
Mr. Rick Lee	Lieutenant Governor
Mr. C. Neil Styers	Speaker of the House
Mr. J. Lee Hauser, P.E.	Commissioner of Insurance
Mr. Jasper Ormond	Governor
Mr. Paul P. McCain, P.E.	N.C. State University
Mr. C.W. Williams	Governor
Ms. Barbara H. Mulkey, P.E.	Lieutenant Governor
Mr. Ronnie Bailey	N. C. A&T University

North Carolina Building Code Council

NC General Statutes 143-138 authorize the N.C. Building Code Council to prepare, adopt and amend the State Building Code. The council consists of 15 members appointed by the governor for six-year terms. Statutes require that members have expertise in areas relating to construction safety. The council meets quarterly in March, June, September and December.

Members

Mr. John R. Andrew, Chair

Mr. Sam T. Snowdon Jr., Vice-Chair

Mr. Clifton N. Bishop

Mr. Barry W. Gardner

Mr. James W. Smith II

Mr. Edward L. Woods

Mr. J. Harmon Byrd

Mr. Mark B. Trollinger

Mr. Stephen B. Peay

Mr. Brian Runnells

Mr. Ronald Decker

Mr. Robert C. Pierce

Mr. Jack F. Neel

Mr. Larry C. Hayes

North Carolina Fire and Rescue Commission

The NC Fire and Rescue Commission is charged with developing certification standards for all levels of fire service and rescue personnel and coordinating the state's involvement with the Federal Emergency Management Agency and the US Fire Administration.

The commission is also responsible for developing a master plan for fire prevention and control, increasing professional skills of fire protection and fire fighting personnel, serving as a central clearinghouse of information relating to the state's fire service activities, and handling federal and state grants.

Member	Organization
Mr. Richard Trexler, Chair	NC Association of Fire Chiefs
Mr. Dean Wall, Vice-Chair	NC Association of Rescue and EMS, Inc.
Mr. Zelodis Jay	NC Association of County Commissioners
Mr. Jerry Lewis	NC County Fire Marshal's Association
Mr. Bobby Joyner	NC Association of Fire Chiefs
Mr. Alan Nobles	NC Fire Marshal's Association
Mr. Jimmy Sanders	NC League of Municipalities
Mr. Fred O'Neal, Jr.	Governor's Appointee
Mr. Hiram Brinson	Lt. Governor's Appointee
Mr. John Horne	Nc Fireman's Association
Mr. Cloyce Anders	Public-at-large
Mr. Benny Scarbro	Speaker of the House Nominee
Mr. Buddy White	NC Association of Rescue and EMS, Inc.
Mr. C. Harley Cook	NC Society of Fire Service Instructors

North Carolina Home Inspectors Licensure Board

NC General Statutes 143-151.43 Article 9F created the North Carolina Home Inspectors Licensure Board to license those who perform home inspections for compensation. A list of the eight members follows, along with the individual by whom they were appointed.

Members

- Mr. Roger R. Pierce, Chairman
- Mr. John J. Woodmansee, Vice-Chairman
- Mr. T. Larry Summer, Secretary-Treasurer
- Mr. John W. Hamrick
- Mr. Jimmy A. Hughes
- Mr. Ralph L. McSwain
- Mr. Grover L. Sawyer, Jr., P.E.
- Mr. Stephen C. Smallman

Representing

- Senator Marc Basnight
- Representative Dan Blue
- Governor James B. Hunt
- Governor James B. Hunt
- Senator Marc Basnight
- Representative Dan Blue
- Commissioner Jim Long
- Governor James B. Hunt

North Carolina Manufactured Housing Board

The Board is empowered to issue and revoke licenses, require bonds, resolve complaints and promulgate rules as necessary to carry out these goals. The following is a list of members and the individual or industry they represent as of January 1997.

Members

Mr. Dascheil Propes, Chair

Ms. Mickey Hanula

Ms. Linda Willey

Mr. Jim Johnson

Mr. J.T. Williams

Ms. Judy Ward

Mr. Larry Gilmore

Mr. Bill Glover

Mr. Durwood Batchelor

Representing

Commissioner of Insurance

Commissioner of Insurance

Commissioner of Insurance

Governor

Governor

Finance

Insurance

Set-up Contractor

Supplies

Public Officers and Employees Liability Insurance Commission

The Commission is given authority under North Carolina General Statutes 58-31-25 and 58-32-1 through 58-32-30 to make available a plan of professional liability insurance coverage for all law enforcement officers, public officials, and employees of any political subdivision of the State.

POELIC is empowered to negotiate with insurance companies for the most favorable rates and coverage.

The commission also serves as liaison between the companies and those insured, to resolve any issues which may arise. The commission consists of 11 members representing city, county, and state governments, sheriffs and police departments, and the insurance industry. It meets at least four times each year, on or about the 15th of January, April, July, and October. Following is a list of the members:

Member

Mr. Joe R. Kluttz, Chairman

Sheriff Dane Mastin, Vice Chairman

Mr. James L. Bichsel

Mr. Pat Marshall

Mr. Bob G. Haynes

Mr. Hugh C. Talton, Jr.

Lt Col. Kent Fletcher

Mr. J. Dal Snipes

Representing

Independent Insurance Agents of North Carolina

NC Sheriffs Association

Speaker of the House

NC Association of County Commissioners

NC League of Municipalities

Lt. Governor

NC Police Chiefs, Police Executives Associations

Carolinas Assn. of Professional Insurance Agents

Ex-Officio Members:

Mr. William A. Dudley

Mr. Ralph B. Strickland, Jr.

Mr. J. Thomas Sutton, III

Secretary of Crime Control and Public Safety

Attorney General

Commissioner of Insurance

**North Carolina Department of Insurance
430 North Salisbury Street
Raleigh, North Carolina 27611**

919-733-7343